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Weekly Contributions  
Latin American Division, ONE, CIA  
22 November 1949

Of the developments reported on this week, D/LA has selected as of particular interest that on the possibility, in Argentina, of more rigorous control over labor (p. 5), and that having to do with Peru's elimination of exchange controls (p. 6).

CURRENT DEVELOPMENTS

GENERAL: A new anti-Communist labor organization in Latin America is expected to check Communist influence in labor (p. 2).

NORTHERN AREA: Guatemala's president has appointed as legation secretary in Paris a leftist known for his anti-US and pro-Communist activities (p. 2). Haiti's president, who has survived a serious political crisis, is expected to have army support in the immediate future (p. 2). In Honduras, expanded concessions for United Fruit Company will benefit both the company and the country's economy (p. 3). In Panama, the change in government through the use of force is counter to US interests in political stability and growth of democratic processes, but the new president is reported to be pro-US (p. 3).

CENTRAL AREA: In Colombia, a subversive plot in the army to overthrow the government is expected to be unsuccessful (p. 4). Ecuador's recent elections have improved stability prospects for the Plaza administration (p. 4).

SOUTHERN AREA: Argentina's government may find it necessary to resort to extremist methods in dealing with labor because of renewed strike activities (p. 5). In Bolivia, the government may have only temporarily checked the threat of a coup by recent arrests of army officers (p. 5). Uruguay's economic position is expected to be strengthened by a new meat contract with the British (p. 6). In Peru, the elimination of exchange controls has created political problems (p. 6).

SPECIAL SUBJECTS

The Current Situation in Nicaragua . . . . . 7

~~CONFIDENTIAL~~

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~~CONFIDENTIAL~~

Weekly Contributions, D/LA  
(CIA Working Paper)

22 November 1949

1. GENERAL: Anti-Communist Labor Organization

The trend toward the development of anti-Communist labor organization in Latin America is continuing with the planned participation of Latin American labor organizations in the meeting of the new Anti-Communist Free Labor International scheduled for November 28 in London.

Latin American Trade Unions are expected to be well represented, particularly by delegates of unions which are members of the anti-Communist Confederation Inter-American Trabajadores (CIT), whose Latin American contingent will comprise about 18 delegates from 11 countries. Non-CIT delegates are expected from Puerto Rico, Kingston, Grenada, and St. Kitts.

Participation in the organization of a world-wide Free Labor International should give the anti-Communist unions in Latin America added prestige and increased local propaganda appeal; at the same time, the new organization will probably to some extent offset the propaganda appeal in Latin America of the Communist-dominated World Federation of Trade Unions.

2. GUATEMALA: An anti-US, pro-Communist politician, Carlos Manuel Pellecer, was appointed on 11 November as Secretary of the Guatemalan Legation in Paris, despite the known opposition of the US. US opposition to the appointment of Pellecer to a government position because of informal representations made to it by the US concerning Pellecer's pro-Communist and anti-US activities in 1947-48 when he was Charge in Paris. President Arevalo for some time appeared to have been guided by the US attitude. In January 1949, Arevalo stated he would not appoint Pellecer to a government post if evidence proved that he did have a Communist record. In February 1949, however, Pellecer was appointed to a government job for several months, but in July the government -- apparently returning to the US position -- publicly disavowed Pellecer's accusation that the US Embassy had given advice to Guatemalan reactionaries prior to Arana's assassination. Pellecer's recent appointment comes after a considerable period of pressure in his behalf. D/LA estimates that Pellecer's appointment is harmful to US security interests in Europe since he is openly anti-US and may be expected to work or agitate against the US while in France.

3. HAITI: Government Controls Political Crisis

President Estime has survived a political crisis, his most serious since taking office in August '46. On 15 November several thousand university students in Port-au-Prince went on strike in protest against governmental restrictions on political freedom. In

SECRET

**CONFIDENTIAL**Weekly Contributions, D/LA  
(CIA Working Paper)

22 November 1949

order to forestall the spread of unrest, the administration re-imposed a state of siege -- temporarily suspended since 12 October -- and took vigorous action against opposition leaders. The strike lasted only two days, and Estimé appears to have the situation in hand at the moment.

As in the past, Estimé's ability to surmount this crisis depended on the loyalty and cooperation of Army leaders, the most powerful of whom is Colonel Magloire, Commandant of the Military Department of the National Palace. Had the situation been allowed to deteriorate to the point of widespread and prolonged disorders, however, influential Army officers would probably have saved their own favored positions by ousting Estimé.

Further manifestations of political tension may occur prior to the January 1950 congressional elections. Inasmuch as serious disorders would jeopardize the success of the much-publicized and costly International Exposition scheduled to open on 12 December, however, the Army will doubtless continue to cooperate with the administration in vigorously suppressing any oppositionist activity that might threaten the government's stability.

4. HONDURAS: Expanded Concession Will Benefit Economy

Both Honduras and the United Fruit Company will benefit, if the company's application for expanded concessions under its existing contract is approved. The agreement, which has been signed by the Executive Department and awaits congressional ratification, would give the company certain privileges in developing African palm, cacao, and abaca plantations in return for substantially increased income tax payments. Discussion of the proposed concession has evoked minor displays of nationalism (with, however, no anti-US undertones), among students, lawyers, and politicians. These groups have purported to "defend" Honduran sovereignty against Fruit Company encroachment.

The country would benefit from the new arrangement by an approximate 5% (\$700,000) increase in annual revenue, a greater diversification of its economy, and fuller employment possibilities. The company would benefit from the security afforded by a long-term (25-year) contract, and by the probability of larger profits from expanded operations. D/LA estimates that, in view of obvious benefits to be derived, the Congress shortly will ratify the concession substantially in its proposed form.

5. PANAMA: Coup d'état

Ex-President Chanis' downfall was due to his efforts to restrain the police from backing racketeering activities in support

SECRET

**CONFIDENTIAL**

SECRET  
**CONFIDENTIAL**

Weekly Contributions, D/IA  
(CIA Working Paper)

22 November 1949

of the cattle-slaughtering monopoly which had been declared illegal by the Panamanian supreme court. Opposition to Chanis, in evidence ever since his inauguration on 23 August (see D/IA Wkly 4 Oct 49), came to a climax with his efforts to remove the Chief-of-Police Remón and his principal subordinates.

President Chiari's cabinet is reportedly broader in base than was Chanis', which would decrease the likelihood of opposition from purely political elements, but Chiari still must have the support of the police. Therefore, his attitude toward the illegal slaughtering monopoly, in which Police-Chief Remón and his assistants have financial interests, will probably determine the length of his tenure of office. While the method of transfer of power cannot be considered favorable to US interests in political stability and democratic processes, President Chiari is himself regarded as pro-US.

6. COLOMBIA: Subversive Plot in Army

Certain non-commissioned officers in the Colombian army have formed a pro-Liberal conspiracy to overthrow the present Conservative government, according to reports received in recent weeks. The majority of the conspirators are said to be in the armed forces, although Carlos Lleras Respreo of the Liberal Party Directorate reportedly is involved.

D/IA considers that such a plot very probably does exist, but there is no evidence that commissioned officers are involved. Also, it was reported (30 Sept.) that, in anticipation of the election, the government planned to expand the army by 10,000 (an increase of approximately one third of normal strength). US Military Attaché, Bogotá, reports (8 Nov.) that in the execution of the plan only Conservatives are being accepted, a procedure well designed to counteract any pro-Liberal movement among enlisted personnel. In summary, D/IA estimates that the reported conspiracy will be unsuccessful and that the Army can be counted on to continue in its tradition of supporting the constituted authorities.

7. ECUADOR: The prospects for the stability of the Plaza administration seem to have been further improved (see D/IA Wkly 15 Nov 49) by the results of the municipal elections held on 6 November. While the official results are as yet unknown, the latest Joint Weeka reports that: José Ricardo Chiriboga Villa Gómez was reelected mayor of Quito, defeating the Conservative candidate "by a wide margin" and "swamping" the Socialists; the pro-Plaza mayor of Guayaquil, Rafael Guerrero Valenzuela, was reelected by a narrow margin; and a Conservative-Liberal coalition defeated the Socialist-Communist

**CONFIDENTIAL**  
SECRET

~~SECRET~~  
**CONFIDENTIAL**

Weekly Contributions, D/LA  
(CIA Working Paper)

22 November 1949

candidate in Ambato. The defeat of anti-Plaza candidates, particularly in Quito and Guayaquil, is a very fortunate development for President Plaza because of the fact that, in the practical politics of Ecuador, the mayors of these two cities play an important role in national politics.

8. ARGENTINA: Renewal of Labor Unrest

Persistence of maladjustments in the Argentine economy is sharply manifest in a renewal of serious strike activity during the past month and in a definite tendency on the part of the Government to adopt a stricter attitude toward labor unrest. Most significant of the twelve strikes reported during the period is the continuing illegal general strike in the sugar industry, which persisted over a month in three northern provinces despite vigorous government efforts to find a solution. This strike has resulted in suspension of the legal status of the Sugar Workers' Union, sympathy strikes in Tucuman, worker-police clashes in Jujuy Province -- which clashes ultimately required intervention by the national police -- and a manifesto issued by the Sugar Workers' Union attacking Perón. The anti-Perón manifesto is indicative of what appears to be a highly significant trend in the pattern of current strike activity toward a breach between labor and the administration despite the Government's reluctant appeasement of many workers.

Government attempts to retard, through revision of domestic and international economic policy, basic-commodity price rises that are provoking labor discontent, will probably not achieve any noteworthy success for several months. Meanwhile, the incipient tendency of labor to subordinate loyalty to Perón to its resistance to his administration's efforts to stabilize wages constitutes a potential threat to the stability of the government and could provoke extremist methods in dealing with labor comparable to anti-democratic measures to which the government has recently resorted on the political front.

9. BOLIVIA: Army disaffection appears to be controlled for the present  
by the government's arrest of numerous active army officers. The presence on President Urriolagoitia's recent trip to Oruro and Cochabamba of the Army Commander in Chief and the Chief of Staff, who were reportedly slated for replacement because of army-government differences, may be a further indication that the threat of a military coup has been contained (see D/LA Wkly 8 Nov 49). Nevertheless, the arrests have probably engendered resentment and ill-feeling within the army, and this strong action on the part of the government may, therefore, have strengthened it only temporarily and superficially.

**CONFIDENTIAL**

~~SECRET~~

**CONFIDENTIAL**

Weekly Contributions, D/LA  
(CIA Working Paper)

22 November 1949

10. URUGUAY: A new British meat contract, signed in Montevideo on 22 November, guarantees a continued British market for Uruguayan meat and assures prices equivalent to those paid for Argentine beef and mutton. The agreement contains no bilateral provisions contrary to the US policy of multilateral trade, and should in general strengthen Uruguay's economic position.

11. PERU: Removal of Exchange Controls

Popular dissatisfaction at rising prices of necessities threatens the success of the government's "courageous" move that practically eliminated exchange controls. (The decree of 14 November abolished official parity rates for the sol, allowing it to seek its own natural level; practically all subsidies and price controls have been terminated, and exporters are now allowed to dispose freely of 100 percent of the foreign exchange they receive.) The move, taken on the advice of a commission of US experts, should -- if applied over the longer term -- stimulate commerce by freeing it from onerous restrictions and should strengthen the free-market position of the sol. It was recognized by these experts that there would probably be an immediate increase in the price of necessities, and to offset this effect the government made provision for a 20% increase on the first 400 soles of wages. The immediate reaction by those who claim to speak for the masses has been strong opposition to the decree, and it could very well be that political considerations may enter into the situation, making it impossible to give the measure a fair trial.

Furthermore, Peru's attempt to meet its exchange problems by eliminating controls, which is in accord with the aims of US policy, contrasts sharply with the complicated systems established by most South-American countries in similar situations. The success or failure of the Peruvian plan, therefore, will probably affect the future exchange policy of other South-American countries.

**CONFIDENTIAL**

~~SECRET~~

SECRET  
**CONFIDENTIAL**

Weekly Contributions, D/LA  
(CIA Working Paper)  
Situation Memorandum 66-49

22 November 1949

The Current Situation in Nicaragua

(Summary -- General Somoza remains in secure control of Nicaraguan political life, and is apparently seeking a formula by which he will be able to assume more direct control of the government without offense to international morality. Although Nicaragua's dollar shortage is still acute, the economic outlook has improved. The Guardia Nacional remains loyal to Somoza; its funds have not been cut and its striking power has increased slightly by the acquisition of new planes. The PSN (Communist) backed labor unions continue their low level, rather ineffective, organizational activities. Nicaragua's foreign policy continues to involve loyal support of the US, the strengthening of military ties with the Dominican Republic, and the denunciation of Caribbean "democracies." Improved relations with Costa Rica may be expected.

-- Basic US security interests have not been threatened by recent developments in Nicaragua and no threat to these interests is foreseen. However, intra-Caribbean harmony -- desirable from the US point of view -- will continue to be disrupted by tensions created and maintained for the personal benefit of General Somoza or his opponents.)

Political

General Anastasio Somoza, Nicaraguan Minister of War, Navy, and Air, remains in secure control of Nicaraguan political life.

Internal opposition to Somoza continues to be weak and uncoordinated, and there is no evidence that opposition groups located abroad have achieved sufficient unity and strength to undertake an integrated revolutionary attempt.

The Nicaraguan Congress, dominated by members of Somoza's National Liberal party, is expected momentarily to pass a resolution calling for the election of a constituent assembly which will presumably implement, by law, the political pact of 1948 between Somoza and the Cuadrapasista Conservatives under which President Roman's tenure of office was arbitrarily reduced by one year. The reduction in Roman's term is desired by Somoza, who has announced his willingness to "be returned" to the presidency, has been engaged in an intensive domestic political campaign. He has been seeking greater support from among the conservatives by offering them economic privileges and opportunity to participate in Somoza-controlled enterprises. He has used the economic crisis to discredit the Roman administration; there is evidence that he has helped

**CONFIDENTIAL**

~~CONFIDENTIAL~~

Weekly Contributions, D/LA  
(CIA Working Paper)  
Situation Memorandum 66-49

- 2 -

22 November 1949

manufacture invasion rumors and international crises that place him in a favorable light as Nicaragua's indispensable military protector; he could very well be responsible for the rumor widely circulated in Nicaragua that the US State Department was in favor of his taking over the reins of government.

Although Somoza's effective control in Nicaragua is undisputed, his thorough and well publicized pre-electoral campaign suggests a fear that precipitate action on his part might offend international morality or the US at a time when Nicaragua desires foreign (US) economic aid. The recent reservations placed by the World Bank on a loan desired by El Salvador (A guarantee agreement between the World Bank and the National Bank must be ratified "by an elected constituent or legislative assembly.") suggest why it may seem important to Somoza to prove Nicaragua's government to be stable, constitutionally founded, popular, and necessary to the general welfare. If he discovers, through his testing of the domestic and foreign opinion, that his personal return to the presidency will be strongly censured, he may back the candidacy of Guillermo Sevilla Sacasa (his son-in-law) or some other trusted associate.

#### Economic

Despite some unfavorable factors, the economic outlook has, in general, improved during recent months. Coffee prices are skyrocketing and prospects for a bumper crop in Nicaragua are good. The most important unfavorable factors are the continuance of a high level in cost of living, considerable unemployment, and a continuing dollar shortage that makes necessary the exchange regulations decreed on 7 April (D/LA Wkly 17 May). The dollar shortage has made the Nicaraguan government, despite the improved economic outlook, desirous of obtaining, immediately, a short-term loan of approximately \$1,500,000 -- and possibly more substantial financial assistance -- from the International Bank or the International Monetary Fund (to which Nicaragua recently repaid \$500,000 drawn from the Fund in 1948). D/LA estimates that such a loan, if granted, will increase Nicaragua's immediate economic stability. If not granted, however, there is no indication that the Nicaraguan economy will suffer greatly. Whether granted or not, General Somoza can be expected to capitalize on the situation to advance his presidential candidacy.

#### Military

The military situation has changed only slightly.

The Guardia Nacional remains loyal to General Somoza, and occupies a favored position among government agencies. Congress passed, in May,

~~CONFIDENTIAL~~



**CONFIDENTIAL**

Weekly Contributions, D/LA  
(CIA Working Paper)  
Situation Memorandum 66-49

- 3 -

22 November 1949

a retirement law providing for pensions for Guardia members. Although governmental economies have been made in other fields (the budget of the Ministry of Development and Public Works has been cut by 23 percent; that of the Ministry of Education by 21 percent) the budget of the Ministry of War, Navy, and Air has been reduced by only 2 percent. The military effectiveness of the armed forces has been increased through acquisition of two A-20 bombers (as yet unarmed), and may be further increased by the acquisition of two more. General Somoza has continued his efforts to obtain armament for the air force and the army. It is evidence of the close military understanding between Nicaragua and the Dominican Republic that Somoza recently received for inspection sample machine guns produced in Trujillo's arms factory.

#### Subversive

Communist capabilities remain weak, and no change in the immediate future is foreseen. The Communist Partido Socialista de Nicaragua (PSN) continues to avoid political activity in accordance with its agreement with Somoza and to confine itself to labor organization, where it has achieved no significant success. Although a majority of the officers of the two labor federations organized last spring are members of the PSN, these two federations have recently been weakened by the withdrawal of non-Communist elements. Further, PSN efforts to organize miners, timber workers, employed women and coffee workers have met with little response.

#### International

There has been no significant change in Nicaragua's foreign policy. Support of the US is evidenced in memoranda to the US Embassy, dated 7 and 9 September, in which the Nicaraguan government stated that it has always followed a policy of close cooperation with the US and will, in respect to problems involving former Italian colonies, support the US in the UN General Assembly. It stated, moreover, that its delegation had been granted complete freedom to adopt a position which would favor the "American block". Expressions of sympathy and cooperation with the Dominican Republic continue. Nicaragua remains unfriendly toward the Guatemalan government, and Somoza has reputedly promised aid and assistance to Guatemalan revolutionists exiled after the 19 July revolt. Recent alarms of an impending invasion of Nicaragua from Guatemala and/or Costa Rica appear to be without substantial foundation, and have possibly been exaggerated by Somoza for political purposes. Although these reports, and Costa Rican countercharges, resulted in increased tension between Costa Rica and Nicaragua, relations between the two countries may be expected to improve with the inauguration of Ulate as Costa Rican president and the consequent lessened importance of Figueres, who is personally distasteful to Somoza. A commercial treaty between the two countries --

**CONFIDENTIAL**

**CONFIDENTIAL**

Weekly Contributions, D/LA  
(CIA Working Paper)  
Situation Memorandum 66-49

- 4 -

22 November 1949

which will reduce the Costa Rican import tax on Nicaraguan cattle -- suggests that the groundwork for cooperation with the Ulate regime has already been established. Similarly, a proposed commercial treaty with El Salvador offers prospects for closer relations with the government of that country.

**CONFIDENTIAL**